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TRADE AND DEVELOPMENT BOARD
Ad Hoc Working Group on the Interrelationship
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Item 2 of the provisional agenda

FOSTERING TECHNOLOGICAL DYNAMISM: EVOLUTION OF THOUGHT ON TECHNOLOGY CAPACITY BUILDING AND COMPETITIVENESS

Summary of the review and analysis of the literature

Note by the UNCTAD secretariat

GE.94-50559

1. In accordance with the work programme of the Ad Hoc Working Group on the Interrelationship between Investment and Technology Transfer, adopted at the Group's first session (25-29 January 1993) and endorsed by the Trade and Development Board at its second executive session, the UNCTAD secretariat undertook a comprehensive analytical review of the literature on technological capacity-building and on the role of technology in the international competitiveness of nations and their enterprises.

2. An extensive summary of this review was submitted to the Ad Hoc Working Group at its second session as document TD/B/WG.5/7. In the light of the Working Group's discussion on this document, the secretariat has prepared the following amendments:

Paragraph 40: replace first sentence with:

> "Possible costs include the expense associated with administering and enforcing the new regulations, increased payments for proprietary knowledge, and higher domestic prices in the short run".

Paragraph 82, second line:

> For there seems to be a broad consensus read many scholars agree on.

Paragraph 82, thirteenth line:

> For opinion is virtually unanimous read many of the same authors argue.

Paragraph 84: replace last three sentences with:

> "But while market incentives are vital, national scientific and technological foundations also play an important role."

Paragraph 86: replace the last two sentences with:

> "First, agricultural production is inherently more unstable and location-specific than is the case with most industry. This is largely because it takes place within the context of natural (biological) systems that continuously evolve over space and time. Secondly, non-market, often cultural, distortions may prevent allocating technological resources efficiently for the small-scale, heterogeneous type of agriculture which is typical of most developing countries."

Paragraph 87, third line:

> For traditionally read often.

Insert a new paragraph 109, to read:

" New channels of technology transfer

109. During the 1960s and 1970s, the relationship between foreign direct investment and transfer of technology was the subject of considerable research work and policy-related analysis. Recent empirical work on technology transfer, including the present review, is recognizing that the current technological revolution is intensifying the linkages between technology transfer and the development of technological capabilities, as well as broadening the channels through which such transfer takes place. Minority joint ventures, licensing, turnkey projects, management contracts, new forms of international subcontracting and the like have been growing in importance. There is some evidence to suggest that such arrangements may lead to a more effective transfer of production and management technology to local firms, thus strengthening their ability to innovate in the future. However, further work, both analytical and empirical, would be necessary for a better understanding of the linkages between these new forms of investment-related transfer of technology and the development of technology."